




CHUGAI PHARMACEUTICAL CO., LTD.

 A member of the Roche group

CONSOLIDATED FINANCIAL STATEMENTS (IFRS) (Non-Audited)

(for the second quarter of the fiscal year 2016)

Name of Company: Chugai Pharmaceutical Co., Ltd. July 21, 2016
 Stock Listing: Tokyo Stock Exchange
 Security Code No.: 4519 (URL <http://www.chugai-pharm.co.jp/english>)
 Representative: Osamu Nagayama, Representative Director, Chairman and CEO
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 Phone: +81-(0)3-3273-0881
 Date of Submission of Quarterly Marketable Securities Filings: July 29, 2016
 Date on which Dividend Payments to Commence: September 1, 2016
 Supplementary Materials Prepared for the Quarterly Financial Statements: Yes
 Presentation Held to Explain the Quarterly Financial Statements: Yes (for institutional investors and securities analysts and press)
(Note: Amounts of less than one million yen are rounded.)

1. Consolidated results for the second quarter of the FY 2016 (January 1, 2016–June 30, 2016)

(1) Consolidated results

	Revenues	% change	Operating profit	% change	Profit before taxes	% change
First six months of FY 2016	¥247,531 million	3.1	¥43,513 million	0.7	¥43,798 million	(0.1)
First six months of FY 2015	¥240,178 million	8.2	¥43,210 million	0.2	¥43,852 million	1.0

	Net income	% change	Net income attributable to Chugai shareholders	% change	Total comprehensive income	% change
First six months of FY 2016	¥32,020 million	4.0	¥31,549 million	4.7	¥20,122 million	(33.6)
First six months of FY 2015	¥30,795 million	4.7	¥30,137 million	4.3	¥30,299 million	21.2

	Net income per share (Basic)	Net income per share (Diluted)
First six months of FY 2016	¥57.77	¥57.68
First six months of FY 2015	¥55.24	¥55.13

Notes: 1. Percentages represent changes compared with the same period of the previous fiscal year.

2. The item "Attributable to Chugai shareholders" excludes the portion attributable to non-controlling interests.

(2) Consolidated results (balance sheet)

	Total assets	Total equity	Equity attributable to Chugai shareholders	Ratio of equity attributable to Chugai shareholders
As of Jun. 30, 2016	¥766,881 million	¥629,400 million	¥628,785 million	82.0%
As of Dec. 31, 2015	¥787,401 million	¥627,271 million	¥625,857 million	79.5%

Note: The item "Attributable to Chugai shareholders" excludes the portion attributable to non-controlling interests.

2. Dividends

	Annual dividends per share				
	End of first quarter	End of second quarter	End of third quarter	End of fiscal year	Total
FY ended Dec. 2015	—	¥26.00	—	¥32.00	¥58.00
FY ending Dec. 2016	—	¥26.00			
FY ending Dec. 2016 (Forecast)			—	¥26.00	¥52.00

Notes: 1. Whether the most recent dividend forecast has been revised: No

2. Year-end dividends per share for the fiscal year ended December 31, 2015 include a special dividend of ¥6 per share.

3. Consolidated forecasts for the FY 2016 (January 1, 2016–December 31, 2016)

	Revenues	% change	Core operating profit	% change	Core earnings per share		Core dividend payout ratio %
First six months of FY 2016 (Results)	¥247,531 million	50.0	¥44,141 million	62.2	¥58.45	63.2	—
FY ending Dec. 2016 (Forecast)	¥495,000 million	(0.8)	¥71,000 million	(21.7)	¥92.54	(20.5)	56.2

Notes: 1. Percentages shown for forecasts of revenues, Core operating profit and Core EPS represent changes from the same period of the previous fiscal year. Percentages for results represent the percentage of forecast levels that have been achieved to date.

2. Whether the most recent forecasts for consolidated figures have been revised: No

3. The figures for the consolidated forecasts and actuals are calculated based on Core basis indicators established by Chugai and used on a consistent basis. Core EPS is diluted net income per share attributable to Chugai shareholders on a Core basis.

4. Others

(1) Changes in the state of material subsidiaries during the period (Changes in the state of specific subsidiaries with change in scope of consolidation): None

(2) Changes in accounting principles and changes in accounting estimates

(a) Changes in accounting principles required by IFRS: None

(b) Changes in accounting principles other than those in (a) above: None

(c) Changes in accounting estimates: None

(3) Number of shares issued (common stock):

(a) Number of shares at the end of the period (including treasury stock)

As of June 30, 2016	559,685,889	As of Dec. 31, 2015	559,685,889
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(b) Number of treasury stock at the end of the period

As of June 30, 2016	13,473,131	As of Dec. 31, 2015	13,641,743
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(c) Average number of shares issued during the period (six months)

First six months of FY 2016	546,129,266	First six months of FY 2015	545,594,672
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Notes:

Items related to the status of the implementation of quarterly reviews

At the time of disclosure of these quarterly consolidated financial statements, review procedures were in progress for the quarterly financial statements based on the Financial Instruments and Exchange Act.

Explanation of the appropriate use of performance forecasts and other related items

(1) Portions of this report that refer to performance forecasts or any other future events are believed to be reasonable under information available at the time of the forecasts. Actual results may differ from these forecasts due to potential risks and uncertainties.

(2) The forecast which is published for shareholders and investors is based on the internal management indicator Core basis. The difference between International Financial Reporting Standards (“IFRS”) results and Core results will be explained at each event and presentation.

(3) For the specifics of the forecasts, please refer to “Forecast for consolidated performance” on page 6 of the attached document.

(4) Chugai Pharmaceutical Co., Ltd. (“Chugai”) is scheduled to hold financial results presentations as noted below. The materials, the video, Q&A, and other related documents for the presentation for institutional investors and securities analysts will be posted on the Chugai’s website following the conclusion of the presentation.

Presentation for the press (Japanese only): July 21, 2016, Thursday (Japan time).

Presentation for institutional investors and securities analysts (Japanese only): July 22, 2016, Friday (Japan time). The English translation of the presentation materials will be posted on the website on the next business day.

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1. Qualitative Information

(1) Consolidated operating results in billions of yen

	First six months of FY 2016.12 (Jan. 1, 2016–June 30, 2016)	First six months of FY 2015.12 (Jan. 1, 2015–June 30, 2015)	% change
Core results			
Revenues	247.5	240.2	+3.0
Sales (excluding Tamiflu)	230.0	225.9	+1.8
Tamiflu sales	7.3	6.7	+9.0
Royalties and other operating income	10.3	7.5	+37.3
Cost of sales	(124.4)	(116.6)	+6.7
Gross profit	123.1	123.6	(0.4)
Marketing and distribution	(33.1)	(34.6)	(4.3)
Research and development	(40.1)	(37.3)	+7.5
General and administration	(5.8)	(5.8)	0.0
Operating profit	44.1	45.9	(3.9)
Net income	32.4	32.5	(0.3)
IFRS results			
Revenues	247.5	240.2	+3.0
Operating profit	43.5	43.2	+0.7
Net income	32.0	30.8	+3.9

Consolidated financial highlights (IFRS results)

Revenues for the second quarter under review were ¥247.5 billion (an increase of 3.0% year on year), operating profit for the second quarter under review was ¥43.5 billion (an increase of 0.7% year on year), and net income for the second quarter under review was ¥32.0 billion (an increase of 3.9% year on year). These results include a non-Core item, amortization of intangible assets of ¥0.6 billion, which is excluded from the Core results that Chugai adopts to manage recurring business activities.

Consolidated financial highlights (Core results)

Revenues for the second quarter under review were ¥247.5 billion (an increase of 3.0% year on year) due to the strong growth in sales and increase in royalties and other operating income.

Of revenues, sales excluding Tamiflu were ¥230.0 billion (an increase of 1.8% year on year). Domestic sales excluding Tamiflu increased by 2.8% due to the steady growth in sales of new products and major products, which absorbed the effects of the NHI drug price revisions in April. Although income associated with Actemra suffered the impacts of foreign exchange rate fluctuations, royalties and other operating income amounted to ¥10.3 billion (an increase of 37.3% year on year).

Cost to sales ratio was 52.4%, 2.3 percentage points deterioration compared with the same term last year, due to the NHI drug price revisions and a decline in export price of Actemra. As a result, gross profit amounted to ¥123.1 billion (a decrease of 0.4% year on year).

Expenditures were ¥79.0 billion (an increase of 1.7% year on year). Marketing and distribution expenses were ¥33.1 billion (a decrease of 4.3% year on year) due mainly to the effects of foreign exchange rate fluctuations and decrease of various expenses, while research and development expenses amounted to ¥40.1 billion (an increase of 7.5% year on year) due to the increase in research and development activities in line with the progress in development projects, albeit the effects of foreign exchange rate fluctuations. General and administration expenses amounted to ¥5.8 billion (0.0% change year on year).

As a result, Core operating profit was ¥44.1 billion (a decrease of 3.9% year on year). Core net income was ¥32.4 billion (a decrease of 0.3% year on year), due to the reduction of the tax burden ratio due mainly to the changes in the taxation system.

Note: Core results

Chugai discloses its results on a Core basis from 2013 in conjunction with its decision to apply IFRS. Core results are the results after adjusting non-recurring items recognized by Chugai to IFRS results, and are consistent with the Core concept disclosed by Roche. Core results are used by Chugai as an internal performance indicator, for explaining the status of recurring profits both internally and externally, and as the basis for payment-by-results.

For further details regarding the adjustment to IFRS results, please refer to the Supplementary Materials on page 5, entitled “Reconciliation of IFRS results to Core results”.

Sales by product domain in billions of yen

	First six months of FY 2016.12 (Jan. 1, 2016–June 30, 2016)	First six months of FY 2015.12 (Jan. 1, 2015–June 30, 2015)	% change
Sales	237.2	232.6	+2.0
Domestic sales (excluding Tamiflu)	184.2	179.1	+2.8
Oncology	107.0	101.8	+5.1
Bone and joint diseases	41.5	37.5	+10.7
Renal diseases	19.9	21.4	(7.0)
Transplant, immunology, and infectious diseases	6.7	7.1	(5.6)
Others	9.1	11.4	(20.2)
Tamiflu sales	7.3	6.7	+9.0
Ordinary use	7.3	6.7	+9.0
Government stockpiles	0.0	0.0	0.0
Overseas sales	45.8	46.8	(2.1)

Domestic sales (excluding Tamiflu)

Domestic sales excluding Tamiflu were ¥184.2 billion (an increase of 2.8% year on year) due to the steady growth in sales of new oncology and bone and joint diseases products and major products, which absorbed the effects of the NHI drug price revisions including additional (huge-seller) re-pricing of Avastin (an anti-VEGF humanized monoclonal antibody, anti-cancer agent).

Oncology products sales were ¥107.0 billion (an increase of 5.1% year on year). This increase was due primarily to the steady growth in sales of Perjeta (an anti-HER2 humanized monoclonal antibody), our major drug, and Xeloda, an anti-cancer agent which obtained an approval for the indication of postoperative adjuvant chemotherapy for gastric cancer in 2015, in addition to the contribution by sales of the products launched in 2014, which are Kadcyra (an anti-HER2 antibody - tubulin polymerization inhibitor conjugate) and Alecensa (an ALK inhibitor, anti-cancer agent). Sales of Avastin remained robust on a volume basis, continuing to grow firmly year on year despite the impacts of additional (huge-seller) re-pricing.

Bone and joint diseases products sales were ¥41.5 billion (an increase of 10.7% year on year). This increase was due to the strong sales of mainstay products such as Ediro, a top brand in the domestic market of oral therapeutic agents for osteoporosis, Actemra (a humanized anti-IL-6 receptor monoclonal antibody) and Bonviva, a bisphosphonate antiresorptive agent.

Renal diseases products sales amounted to ¥19.9 billion (a decrease of 7.0% year on year) due to a decline in sales of Oxarol (an agent for hyperparathyroidism) resulting from the effects of competitions including generic products.

In the area of transplant, immunology, and infectious diseases products (excluding Tamiflu), sales were ¥6.7 billion (a decrease of 5.6% year on year) due to a substantial decline in sales of Pegasys (a peginterferon- α -2a agent) as a result of the newly launched third party products.

Tamiflu sales

Sales of Tamiflu (an anti-influenza agent) for ordinary use were ¥7.3 billion (an increase of 9.0% year on year), while sales to government stockpiles etc. were less than ¥0.1 billion.

Overseas sales

Overseas sales amounted to ¥45.8 billion (a decrease of 2.1% year on year) due mainly to the declining export unit price of Actemra to Roche.

(2) Consolidated financial position

Assets, liabilities, and net assets in billions of yen

	June 30, 2016	December 31, 2015	% change
Movements of assets and liabilities			
Net working capital	244.1	214.6	+13.7
Long-term net operating assets	171.8	165.8	+3.6
Net operating assets (NOA)	415.9	380.4	+9.3
Net cash	208.8	235.4	(11.3)
Other non-operating assets - net	4.7	11.5	(59.1)
Total net assets	629.4	627.3	+0.3
Consolidated balance sheet (IFRS basis)			
Total assets	766.9	787.4	(2.6)
Total liabilities	(137.5)	(160.1)	(14.1)
Total net assets	629.4	627.3	+0.3

Net working capital at June 30, 2016 was ¥244.1 billion (an increase of ¥29.5 billion since December 31, 2015). This was because the sum of the increase in inventories and the decrease in accounts payable-other outweighed the sum of the decrease in both accounts receivable-trade and accounts receivable-other. Long-term net operating assets increased by ¥6.0 billion since the end of the previous fiscal year to ¥171.8 billion, due mainly to the increase in construction in progress. As a result, net operating assets (NOA) were ¥415.9 billion, ¥35.5 billion higher than at the end of the previous fiscal year.

As the table entitled “Cash flows” on the next page indicates, net cash, including marketable securities and interest-bearing debt, decreased by ¥26.6 billion since December 31, 2015 to ¥208.8 billion. Other non-operating assets - net decreased by ¥6.8 billion from the end of the previous fiscal year to ¥4.7 billion, due mainly to an increase in derivative financial liabilities (foreign exchange forward contracts), etc.

As a consequence, total net assets were ¥629.4 billion (an increase of ¥2.1 billion since December 31, 2015).

Note: Movements of assets and liabilities

The consolidated balance sheet has been prepared in accordance with the International Accounting Standards (IAS) No. 1, “Presentation of Financial Statements”. On the other hand, “Movements of assets and liabilities” including net operating assets (NOA) are a reconfiguration of the consolidated balance sheet as internal indicators and are identical to the indicators disclosed by Roche. Furthermore, no items from the assets and liabilities have been excluded, as the Core results concept only applies to the income statement.

For further details, please refer to the Supplementary Materials on page 8, entitled “Movements of assets and liabilities”.

Cash flows in billions of yen

	First six months of FY 2016.12 (Jan. 1, 2016–June 30, 2016)	First six months of FY 2015.12 (Jan. 1, 2015–June 30, 2015)	% change
Movements of free cash flows			
Operating profit - IFRS basis	43.5	43.2	+0.7
Operating profit, net of operating cash adjustments	53.3	52.1	+2.3
Operating free cash flows	7.0	45.3	(84.5)
Free cash flows	(4.2)	31.9	—
Net change in net cash	(26.6)	16.5	—
Consolidated statement of cash flows (IFRS basis)			
Cash flows from operating activities	23.5	46.7	(49.7)
Cash flows from investing activities	(4.5)	(19.2)	(76.6)
Cash flows from financing activities	(17.7)	(14.4)	+22.9
Net change in cash and cash equivalents	(1.6)	12.6	—
Cash and cash equivalents at June 30	100.1	126.6	(20.9)

Operating profit, net of operating cash adjustments, amounted to ¥53.3 billion. This is calculated by adjusting for depreciation and other items that are included in operating profit but are not accompanied by cash inflows or outflows and all inflows and outflows related to NOA that are not accompanied by profit and loss. The principal items influencing this result were a total of ¥7.5 billion in depreciation of property, plant and equipment.

Operating free cash flows, which are calculated by subtracting an increase in net working capital of ¥18.5 billion and also subtracting expenditures of ¥27.8 billion for the purchase of property, plant and equipment and intangible assets from operating profit, net of operating cash adjustments, amounted to a net inflow of ¥7.0 billion. Factors accounting for the increase in net working capital are as shown on the previous page in the table entitled “Assets, liabilities, and net assets”. Purchases of property, plant and equipment were mainly expenditures for buildings and equipment of the laboratories and plants.

Free cash flows were a net cash outflow of ¥4.2 billion. This is calculated by subtracting a total of ¥11.1 billion of non-operating cash outflows from financial asset management, income taxes paid from operating free cash flows.

As a result, the net change in net cash, after dividends paid and foreign currency translation adjustments, was a decrease of ¥26.6 billion in comparison with the end of the previous fiscal year. The net change in cash and cash equivalents, excluding changes in marketable securities and interest-bearing debt, was a net cash outflow of ¥1.6 billion. The cash and cash equivalents balance at the end of the second quarter amounted to ¥100.1 billion.

Note: Movements of free cash flows (FCF)

The consolidated statement of cash flows has been prepared in accordance with the International Accounting Standard (IAS) No. 7, “Statement of Cash Flows”. The FCF is a reconfiguration of the consolidated statement of cash flows as internal indicators and is identical to the indicators disclosed by Roche. Furthermore, no items from the FCF have been excluded, as the Core results concept only applies to the income statement.

Previously, the amount net of dividends paid was shown for FCF. However, effective from the second quarter of this year, the amount before the deduction of dividends paid is shown for FCF to conform to the general definition of FCF, following Roche’s change in definition of FCF. This change is reflected in the financial results for the second quarter under review, and FCF for the second quarter of fiscal year 2015 has been amended for comparison purpose. The change has no effect on operating FCF.

For further details, please refer to the Supplementary Materials on page 9, entitled “Movements of free cash flows”.

(3) Forecast for consolidated performance

Chugai has not made any changes in its forecast of consolidated results for the fiscal year ending December 31, 2016 since the announcement regarding the forecast issued on January 28, 2016.

Note: In “1. Qualitative Information”, amounts less than ¥0.1 billion have been rounded to the nearest ¥0.1 billion. Figures for changes in amounts and percentages have been calculated using data denominated in ¥0.1 billion units.

2. Other Information

(1) Changes in the state of material subsidiaries during the period

None

(2) Changes in accounting principles and changes in accounting estimates

None

3. Interim Condensed Consolidated Financial Statements

(1) Interim condensed consolidated income statement and interim condensed consolidated statement of comprehensive income

1) Interim condensed consolidated income statement in millions of yen

	First six months ended June 30	
	2016	2015
Revenues	247,531	240,178
Sales	237,242	232,647
Royalties and other operating income	10,289	7,530
Cost of sales	(125,029)	(117,236)
Gross profit	122,502	122,941
Marketing and distribution	(33,107)	(34,694)
Research and development	(40,124)	(39,162)
General and administration	(5,758)	(5,876)
Operating profit	43,513	43,210
Financing costs	(51)	(41)
Other financial income (expense)	337	683
Profit before taxes	43,798	43,852
Income taxes	(11,779)	(13,056)
Net income	32,020	30,795
Attributable to:		
Chugai shareholders	31,549	30,137
Non-controlling interests	471	658
Earnings per share		
Basic (yen)	57.77	55.24
Diluted (yen)	57.68	55.13

2) Interim condensed consolidated statement of comprehensive income in millions of yen

	First six months ended June 30	
	2016	2015
Net income recognized in income statement	32,020	30,795
Other comprehensive income		
Remeasurements of defined benefit plans	(173)	(309)
Items that will not be reclassified to the income statement	(173)	(309)
Available-for-sale investments	(1,589)	1,569
Cash flow hedges	(3,942)	(274)
Currency translation of foreign operations	(6,193)	(1,483)
Items that may be reclassified subsequently to the income statement	(11,724)	(188)
Other comprehensive income, net of tax	(11,898)	(497)
Total comprehensive income	20,122	30,299
Attributable to:		
Chugai shareholders	19,828	29,716
Non-controlling interests	294	583

(2) Interim condensed consolidated balance sheet in millions of yen

	June 30, 2016	December 31, 2015
Assets		
Non-current assets:		
Property, plant and equipment	157,618	153,545
Intangible assets	16,591	13,511
Financial non-current assets	11,180	13,715
Deferred tax assets	27,590	26,025
Other non-current assets	13,987	12,832
Total non-current assets	226,965	219,628
Current assets:		
Inventories	173,532	161,135
Accounts receivable	139,622	158,668
Current income tax assets	29	49
Marketable securities	109,353	134,419
Cash and cash equivalents	100,102	101,707
Other current assets	17,279	11,796
Total current assets	539,916	567,773
Total assets	766,881	787,401
Liabilities		
Non-current liabilities:		
Long-term debt	(550)	(604)
Deferred tax liabilities	(9,598)	(10,028)
Defined benefit plan liabilities	(3,070)	(2,358)
Long-term provisions	(2,234)	(1,974)
Other non-current liabilities	(14,147)	(12,108)
Total non-current liabilities	(29,600)	(27,071)
Current liabilities:		
Short-term debt	(130)	(131)
Current income tax liabilities	(11,514)	(13,133)
Short-term provisions	(130)	(180)
Accounts payable	(52,625)	(78,353)
Other current liabilities	(43,481)	(41,260)
Total current liabilities	(107,881)	(133,058)
Total liabilities	(137,480)	(160,130)
Total net assets	629,400	627,271
Equity:		
Capital and reserves attributable to Chugai shareholders	628,785	625,857
Equity attributable to non-controlling interests	615	1,414
Total equity	629,400	627,271

(3) Interim condensed consolidated statement of cash flows in millions of yen

	First six months ended June 30	
	2016	2015
Cash flows from operating activities		
Cash generated from operations	55,353	54,262
(Increase) decrease in working capital	(18,550)	7,020
Payments made for defined benefit plans	(1,290)	(1,226)
Utilization of provisions	(46)	(100)
Other operating cash flows	852	2,761
Cash flows from operating activities, before income taxes paid	36,319	62,717
Income taxes paid	(12,847)	(15,996)
Total cash flows from operating activities	23,473	46,721
Cash flows from investing activities		
Purchase of property, plant and equipment	(24,208)	(10,904)
Purchase of intangible assets	(3,543)	(2,878)
Disposal of property, plant and equipment	0	(254)
Interest and dividends received	172	186
Purchases of marketable securities	(107,887)	(106,998)
Sales of marketable securities	131,009	102,222
Other investing cash flows	(3)	(607)
Total cash flows from investing activities	(4,459)	(19,233)
Cash flows from financing activities		
Interest paid	(4)	(2)
Dividends paid to Chugai shareholders	(17,470)	(14,182)
Dividends paid to non-controlling shareholders	(475)	(577)
Exercise of equity compensation plans	373	760
(Increase) decrease in own equity instruments	(4)	(10)
Other financing cash flows	(111)	(344)
Total cash flows from financing activities	(17,692)	(14,355)
Net effect of currency translation on cash and cash equivalents	(2,926)	(558)
Increase (decrease) in cash and cash equivalents	(1,605)	12,575
Cash and cash equivalents at January 1	101,707	114,037
Cash and cash equivalents at June 30	100,102	126,612

(4) Interim condensed consolidated statement of changes in equity in millions of yen**For the first six months ended June 30, 2015 (Jan. 1, 2015 – June 30, 2015)**

	Attributable to Chugai shareholders				Subtotal	Non-controlling interests	Total equity
	Share capital	Capital surplus	Retained earnings	Other reserves			
At January 1, 2015	72,967	60,817	457,720	4,594	596,099	1,657	597,756
Net income	-	-	30,137	-	30,137	658	30,795
Available-for-sale investments	-	-	-	1,569	1,569	-	1,569
Cash flow hedges	-	-	-	(274)	(274)	-	(274)
Currency translation of foreign operations	-	-	-	(1,408)	(1,408)	(75)	(1,483)
Remeasurements of defined benefit plans	-	-	(309)	-	(309)	-	(309)
Total comprehensive income	-	-	29,829	(113)	29,716	583	30,299
Dividends	-	-	(14,181)	-	(14,181)	(1,072)	(15,253)
Equity compensation plans	-	(53)	-	-	(53)	-	(53)
Own equity instruments	-	984	-	-	984	-	984
Changes in non-controlling interests	-	(13)	-	-	(13)	(275)	(288)
At June 30, 2015	72,967	61,736	473,368	4,481	612,552	893	613,445

For the first six months ended June 30, 2016 (Jan. 1, 2016 – June 30, 2016)

	Attributable to Chugai shareholders				Subtotal	Non-controlling interests	Total equity
	Share capital	Capital surplus	Retained earnings	Other reserves			
At January 1, 2016	72,967	62,567	488,954	1,369	625,857	1,414	627,271
Net income	-	-	31,549	-	31,549	471	32,020
Available-for-sale investments	-	-	-	(1,589)	(1,589)	-	(1,589)
Cash flow hedges	-	-	-	(3,942)	(3,942)	-	(3,942)
Currency translation of foreign operations	-	-	-	(6,016)	(6,016)	(177)	(6,193)
Remeasurements of defined benefit plans	-	-	(173)	-	(173)	-	(173)
Total comprehensive income	-	-	31,376	(11,548)	19,828	294	20,122
Dividends	-	-	(17,473)	-	(17,473)	(1,093)	(18,566)
Equity compensation plans	-	88	-	-	88	-	88
Own equity instruments	-	485	-	-	485	-	485
At June 30, 2016	72,967	63,140	502,857	(10,178)	628,785	615	629,400

(5) Notes regarding the going concern assumption

None

(6) Notes regarding the interim condensed consolidated financial statements**General accounting principles and significant accounting policies****(a) Basis of preparation of the consolidated financial statements**

These financial statements are the interim condensed consolidated financial statements (“Interim Financial Statements”) of Chugai, a company registered in Japan, and its subsidiaries (“the Group”). The common stock of Chugai is publicly traded and listed on the Tokyo Stock Exchange under the stock code “TSE: 4519”. The Interim Financial Statements were approved by the Board of Directors on July 21, 2016.

Roche Holding Ltd. is a public company registered in Switzerland and the parent company of the Roche Group, which discloses its results in accordance with IFRS. The shareholding percentage of Roche Holding Ltd. in Chugai is 59.89% (61.37% of the total number of shares issued excluding treasury stock). The Group became principal members of the Roche Group after entering into a strategic alliance in October 2002.

The Group meets all of the requirements for a “Specified Company” as stipulated under Article 1-2 of the “Regulations Concerning Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ministry of Finance of Japan Regulation No. 28, 1976). Hence, in accordance with Article 93 of the “Ordinance on Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements” (Japanese Cabinet Ordinance No. 64, 2007), the Interim Financial Statements have been prepared in accordance with the International Accounting Standard (IAS) No. 34 “Interim Financial Reporting”.

The Interim Financial Statements should be used with the consolidated financial statements for the year ended December 31, 2015 as it does not include all the information as required for the consolidated financial statements for the full fiscal year.

The Interim Financial Statements are presented in Japanese yen, which is Chugai’s functional currency and amounts are rounded to the nearest ¥1 million. They have been prepared using the historical cost convention except for items that are required to be accounted for at fair value.

(b) Key accounting judgments, estimates and assumptions

The preparation of the Interim Financial Statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, and contingent amounts. Actual outcomes could differ from those management estimates. The estimates and underlying assumptions are reviewed on an on-going basis and are based on historical experience and various other factors. Revisions to estimates are recognized in the period in which the estimate is revised.

The information for judgment, estimates, and assumptions that have a material impact on the amount recognized in the Interim Financial Statements of the Group is principally the same for the prior fiscal year.

(c) Significant accounting policies

The Group applies the same significant accounting policies that are used for the prior fiscal year’s consolidated financial statements to the Interim Financial Statements.